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FISCAL IMPACT STATEMENT

LS 6872

BILL NUMBER: HB 1222

NOTE PREPARED: Feb 1, 2006

BILL AMENDED: Jan 26, 2006

SUBJECT: Redevelopment Commission Housing Programs.

FIRST AUTHOR: Rep. Moses

FIRST SPONSOR: Sen. Long

BILL STATUS: As Passed House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) This bill permits redevelopment commissions to establish a housing program and a tax increment funding allocation area for that program. (Current law allows Marion County to establish such a program.) It provides that an issue of bonds authorized by a redevelopment commission under the program must be approved by the legislative body of the county or municipality if the total amount of the bonds is at least \$1,000,000.

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: *Housing Program.* The bill provides that redevelopment commissions may establish a program for housing by resolution.

For cities that have a department of redevelopment, the department must consult with interested persons, neighborhood associations, residents, and township assessors. All the rights, powers, privileges, and immunities that may be exercised by the commission in blighted, deteriorated, or deteriorating areas may be exercised by the commission in implementing its program for housing, including levying a special tax, issuing bonds, entering into leases, and applying for tax exemptions. The commission must find, among other conditions, that the at least 1/3 of the parcels in the allocation area established by the program are vacant; at least 3/4 of the allocation area is used or will be used for residential purposes; and at least 1/3 of the residential units in the

allocation area were constructed before 1941. The total area within the allocation area must not exceed 150 acres. The fiscal impact of these provisions will depend on local action.

Uses of the Allocation Fund. The allocation fund may be used only for purposes related to the accomplishment of the program, including construction, rehabilitation, or repair of residential units and infrastructure within the area. The fund may also be used for the acquisition of real property, the demolition of real property, and financial assistance to enable individuals to purchase or lease residential units. Financial assistance may be provided only to those individuals whose income is at specified levels. The fund may provide each taxpayer a credit for property tax replacement under certain circumstances. The credit would reduce the net proceeds available to the allocation area. The fund may also be used to reimburse municipalities for expenditures made by the municipality in order to accomplish the housing program. The allocation fund may not be used for operating expenses of the commission. The commission must notify the county auditor of the amount, if any, of excess property taxes that the commission has determined may be paid to the respective taxing units. The fiscal impact of these provisions will again depend on local action.

Explanation of Local Revenues: (Revised) If the allocation area currently contains non-exempt real property improvements, then the exclusion of this valuation from the base assessed value would shift some part of the tax burden from the taxpayers that own the improvements to all other taxpayers. It is assumed that any existing improvements in an allocation area would have minimal value.

The base assessed value (AV) of the allocation area would be equal to the AV of land on the assessment date that precedes the date on which the allocation area is established. The base AV would not include any valuation of real property improvements. Property taxes paid on valuation in the allocation area that exceeds the base valuation would be deposited into an allocation fund.

Total local revenues for civil units and school corporations, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the loss in AV from improvements excluded from the base AV. Redevelopment commissions would realize an increase in revenue from the property tax payments on the incremental AV in the allocation areas. This revenue would be generated as a result of redevelopment.

Bonds: An issue of bonds authorized by a redevelopment commission under the program must be approved by the legislative body of the county or municipality if the total amount of the bonds is at least \$1 M. It is possible that the additional oversight could impact bond issuances. The specific impact is indeterminable.

State Agencies Affected:

Local Agencies Affected: Local redevelopment commissions.

Information Sources:

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